

A photograph of three people (two men and one woman) working together on a project. They are gathered around a table, looking at a laptop screen. The man on the left is wearing a red jacket, the man in the middle is wearing a light blue shirt, and the woman on the right is wearing a light blue sweater and glasses. They appear to be in a workshop or lab setting. The image is overlaid with a dark blue semi-transparent filter.

University of Michigan Funding:

A Snapshot

Where the Money Comes From and Where It Goes

U-M's operating budget has four major sources of funding.

General Fund

Money comes from:

- Student tuition and fees
- State support
- Indirect cost of sponsored research

Pays for:

- Teaching
- Student Services
- Facilities
- Administrative support

Auxiliary Funds

Self-supporting auxiliary units pay their own way and receive no taxpayer or tuition support:

- Michigan Medicine
- Intercollegiate Athletics
- Student Housing
- Student Publications

Expendable

Restricted Funds

Providers designate how their money is spent.

Money comes from:

- Research grants and contracts
- Endowment payout
- Gifts

Pays for:

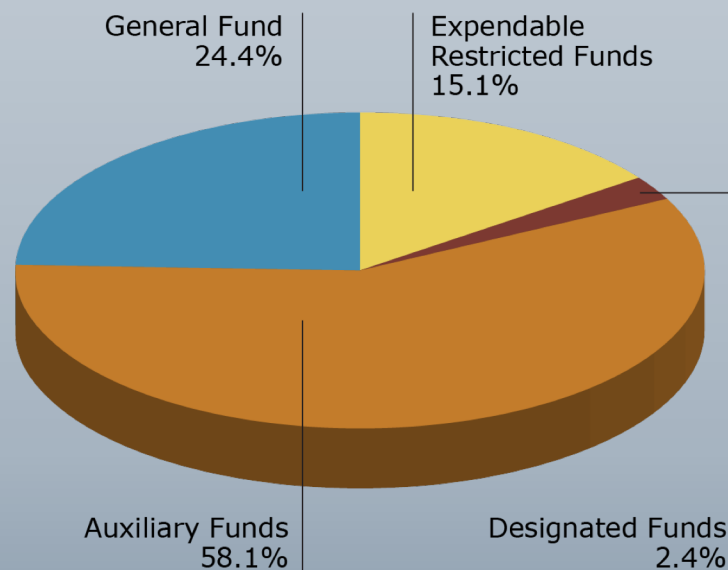
- Scholarships and fellowships
- Salaries, benefits and research support for some faculty
- Research, programs and academic centers

Designated Funds

Fees charged for and spent on:

- Experiential Learning Programs
- Conferences
- Executive and continuing education

Sources of U-M Ann Arbor Budgeted Revenue FY18



Total Budget: ~\$8.4 billion

Where the General Fund Money Comes From

U-M Ann Arbor FY18 Budget

Money comes from:

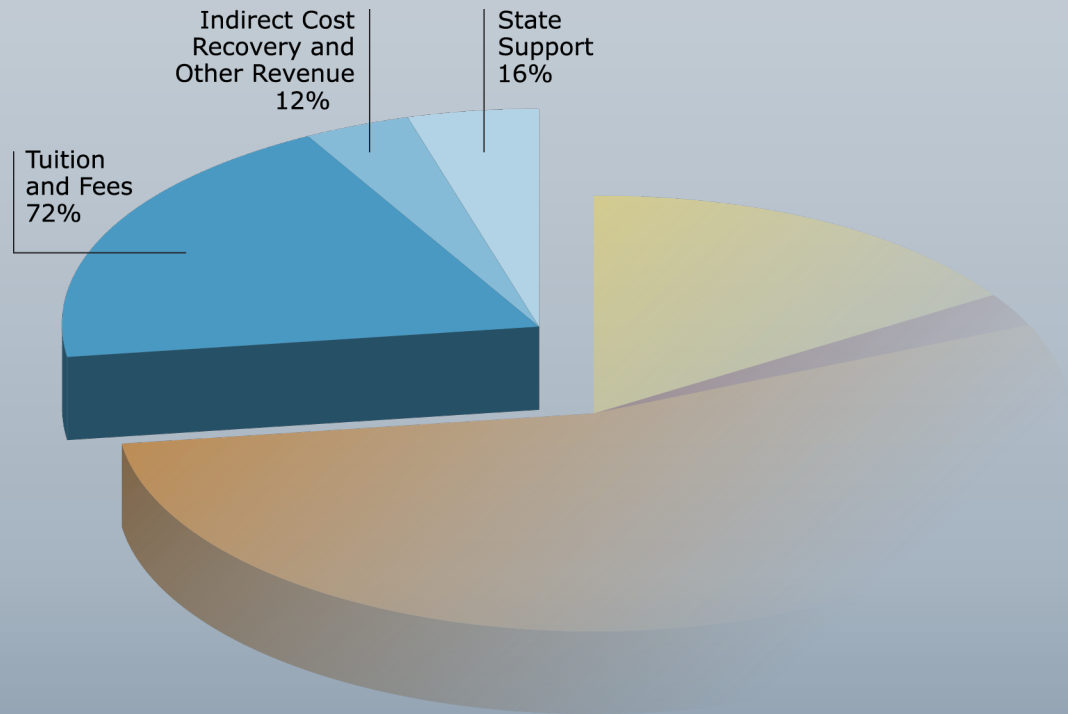
- Student tuition and fees
- State support
- Indirect cost recovery of sponsored research activity

Pays for:

- Teaching
- Academic services
- Academic and research facilities utilities, operations, and maintenance
- Administrative support

Tuition/General Fund does not pay for:

- Intercollegiate Athletics
- Housing
- Michigan Medicine



Where the General Fund Money Goes

U-M Ann Arbor FY18 Budget

67.6 cents of each dollar goes to academic activities

- Instruction
- Academic advising
- Libraries
- Museums

11.3 cents of each dollar goes to facilities, safety, and protection

- Plant operations
- Utilities
- Insurance
- Public safety

11.2 cents of each dollar goes to centrally awarded financial aid

U-M's schools and colleges also award financial aid.

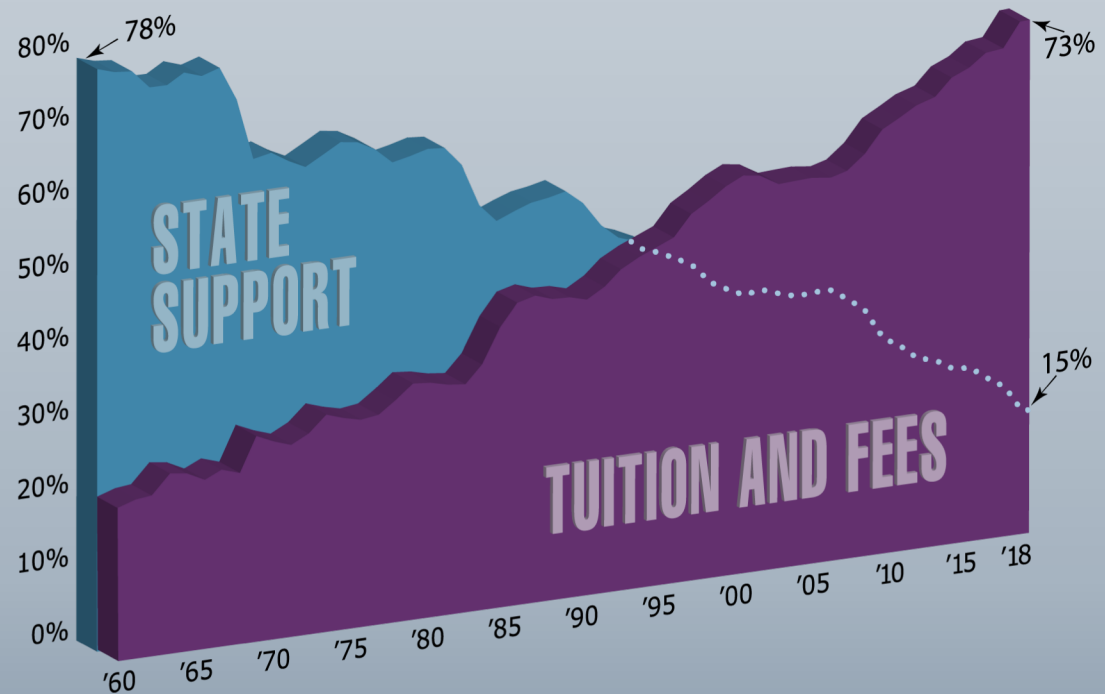
9.9 cents of each dollar goes to administrative services

- Admissions
- Budgeting and accounting
- Central human resource services
- Central information technology
- Legal services



Declining State Support Drives Up Tuition

- In 1960, state support accounted for 78 percent of the U-M Ann Arbor General Fund. It has dropped to 15 percent of the General Fund budget in 2018.
- U-M experienced significant baseline declines in state support in fiscal years 2004-2006, and again in fiscal years 2010 and 2011.
- The FY 2018 state operating appropriation to U-M of \$314.6 million remains lower than 10 years ago, and is equivalent to FY 1998 in nominal dollars, and FY 1965 after adjusting for inflation.
- If U-M's 2003 appropriation, which just preceded large reductions, had increased at the rate of the Detroit-area Consumer Price Index, U-M would receive approximately \$145 million more in state support than the current 2017-18 level.



Why Are Costs Rising?

- 63 percent of U-M's total costs are for labor—to hire and retain world-class faculty and staff.
- U-M is facing almost \$27 million in mandatory cost increases for FY18 resulting from benefits rate increases, utilities, contractual salary increases for union employees, costs of new space, regulatory compliance, and inflation on the goods and services that U-M purchases.
- General Fund health care costs have increased approximately 47 percent over the past 10 years.
- U-M must continue to invest in state-of-the-art laboratories and instructional space, and new technologies that support education and research.
- U-M invests heavily in need-based financial aid, including the Go Blue Guarantee beginning in 2018. U-M has averaged more than 11 percent growth annually in the centrally awarded undergraduate financial aid budget over the past 10 years.



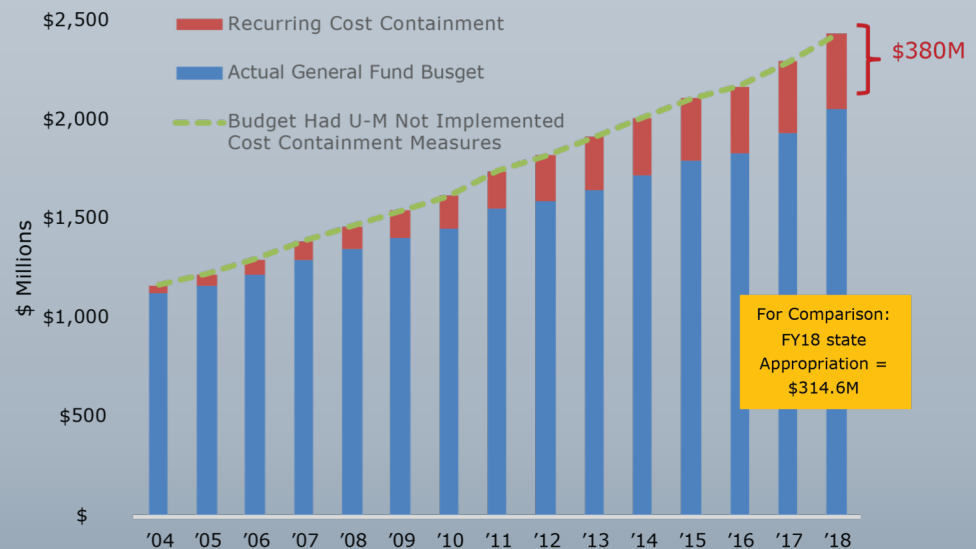
How U-M Is Cutting Costs

Since 2004, U-M has achieved more than \$380 million of savings on the General Fund. Savings have resulted from U-M's efforts to:

- Implement strategic, aggressive campuswide initiatives. U-M has been an early adopter of such efforts such as efficient energy usage, benefits cost sharing, prescription drug savings, facilities maintenance improvements, and strategic sourcing and procurement. U-M also has centralized transactional administrative work and business processes to gain efficiency.
Recurrent General Fund savings: \$148 million
- Direct units to annually identify internal cuts in order to reallocate funding toward higher priorities and new initiatives.
Recurrent General Fund savings: \$152 million
- Use philanthropy and endowment distributions to pay for activities otherwise paid for from general funds.
Recurrent General Fund savings: \$60 million
- Develop new alternative revenue sources such as digital learning platforms and professional and continuing education/certification.
Recurrent General Fund savings: \$21 million

Cost containment remains a priority, with at least an additional \$20 million in new General Fund savings planned for FY19.

The Budgetary Impact of Cost Containment



Keeping U-M Affordable: Financial Aid

- The university has made a strong financial commitment toward financial aid over the past decade, continuing its long-standing policy of meeting the full demonstrated financial need of all undergraduate students from Michigan.
- The budget for centrally awarded, undergraduate financial aid has grown much more quickly in percentage terms than tuition and has well outpaced inflation.
 - The 5-year average annual growth rate for the undergraduate financial aid budget is 12 percent (compared to 2.7 percent for in-state tuition, 3.9 percent for out-of-state tuition and 0.9 percent for Detroit CPI).
 - The undergraduate financial aid budget grew by another 10.6 percent this year, as compared to 2.9 percent for in-state tuition and 4.5 percent for out-of-state tuition.
- The General Fund is just one source of financial aid for our students.
 - In 2016-17, nearly \$985 million in aid was paid to U-M students, with nearly \$390 million of this aid going to undergraduate students. This includes all types of aid (grants, scholarships, loans and work-study) by all known funding sources (Office of Financial Aid, Rackham, Schools/Colleges, federal and state programs).

- We have achieved double-digit percentage increases in the centrally awarded undergraduate financial aid budget in eight of the last 10 years:

Fiscal Year	Budget (in millions)	% Change
FY 2008-09	\$ 66.3	9.4%
FY 2009-10	\$ 73.8	11.3%
FY 2010-11	\$ 81.4	10.3%
FY 2011-12	\$ 90.9	11.6%
FY 2012-13	\$100.1	10.1%
FY 2013-14	\$113.8	13.7%
FY 2014-15	\$133.3	17.2%
FY 2015-16	\$144.1	8.1%
FY 2016-17	\$159.7	10.8%
FY 2017-18	\$176.7	10.6%

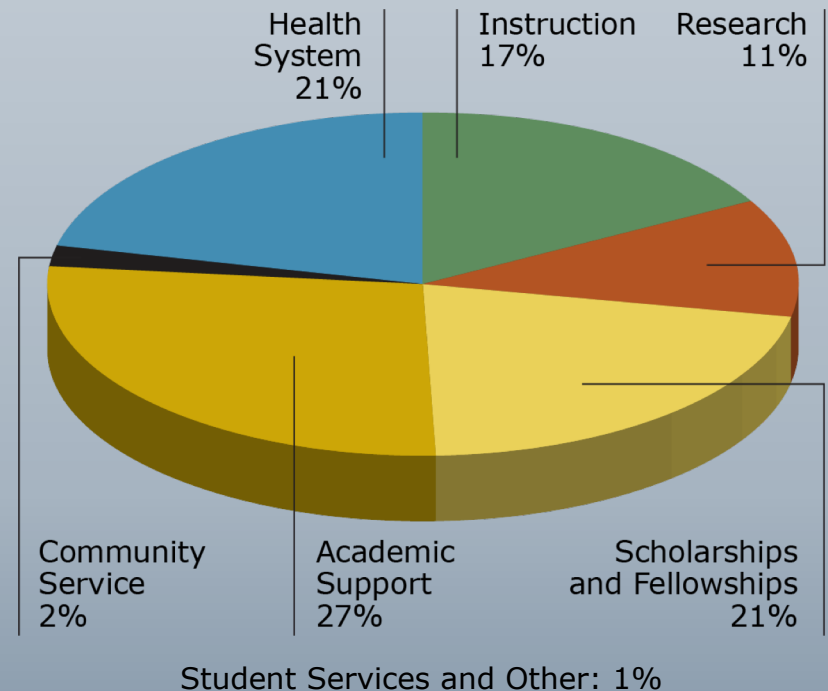
- The majority of this aid is need-based.
- There are several other sources of institutional undergraduate financial aid: non-General Fund aid provided centrally, and School/College aid (both General Fund and non-General Fund).

The U-M Endowment

- U-M's endowment is a collection of about 10,500 separate funds. Each fund *must be spent as specified by the donor*.
- One-fifth of the total endowment is earmarked for student scholarships and fellowships.
- Approximately one-fifth of the endowment was given for Michigan Medicine and can only be used to support research, patient care or other purposes identified by donors or sponsors.
- In the past 20 years, U-M's long-term investment strategy and spending policies generated nearly \$4 billion in endowment distributions to support operations.

U-M's endowment is the ninth largest among all universities in the country, and U-M ranks 84th in endowment per student, much lower than private peer universities, indicating our endowment supports learning for a much larger body of students

Uses of U-M Endowment FY17



Resources

- Budget and cost cutting website
publicaffairs.vpcomm.umich.edu/key-issues/cost-cutting-budget-update
- Cost Cutting and Budget Update, June 2017
publicaffairs.vpcomm.umich.edu/key-issues/cost-cutting-budget-update/
- Questions and answers on tuition
publicaffairs.vpcomm.umich.edu/key-issues/tuition
- Questions and answers on the endowment
publicaffairs.vpcomm.umich.edu/key-issues/university-of-michigan-endowment
- Cost of attendance calculator
finaid.umich.edu/cost-of-attendance
- U-M Annual Report and Financial Statements
finance.umich.edu/finops/reporting/annualreports
- Michigan Almanac
obp.umich.edu/michigan-almanac